Notice of Formulation of 2016 Corporate Strategic Plan (5-Year Medium-Term Management Plan)

-- Strengthening the foundations of the business and developing an aggressive business portfolio for sustainable growth beyond the 100th anniversary --

Olympus Corporation hereby announces that it has formulated its 2016 Corporate Strategic Plan (16CSP), a new five-year, medium-term management plan slated to begin in April 2016. Under this plan, Olympus will work to improve corporate value by strengthening the foundations of the business and developing an aggressive business portfolio for sustainable growth beyond its 100th anniversary in 2019.

1. Basic Policies

- **“Business to Specialist” Company**
  Olympus defines a “Business to Specialist” Company as a company that can accurately understand the demands and unmet needs of highly specialized expert and aspirational customers (specialist) and respond by proposing and providing compelling solutions in a timely manner. Over the years, Olympus has continued to exercise its strengths as a “Business to Specialist” Company to grow by earning the trust of customers.

  Going forward, we will continue to utilize these strengths as we seek to become an even-more valuable partner to our customers by calling upon our innovative thinking, expertise in advancing technology, operational excellence, and unsurpassed integrity.

- **One Olympus**
  We will maximize the performance of the entire Olympus Group by sharing values and strategies and making full use of management resources on a global and Groupwide basis.

  Driven by this commitment, Olympus will strive to meet or exceed the expectations of all of its stakeholders through sustainable growth and act as a good corporate citizen, thereby contributing to society by making the lives of people around the world healthier, safer, and more fulfilling.

2. Management Goals

We will work to secure an appropriate level of financial soundness and then target balanced improvements in profitability and business growth to consistently realize return on equity (ROE) of 15% and to double earnings per share (EPS) over the five-year period of 16CSP.

Over the past four years, Olympus has successfully achieved substantial improvements in ROE while raising equity capital. Under 16CSP, we will strive to secure an appropriate level of financial soundness by increasing the equity ratio while continuing to practice management that pays heed to shareholder expectations by emphasizing capital efficiency. We therefore aim to maintain ROE at the 15% level through balanced improvements in profitability and business growth realized by increasing the operating margin and achieving a sharp rise in earnings before interest, taxes, depreciation, and amortization (EBITDA). This process is anticipated to lead to a doubling of EPS over the five-year period of the plan.
Concrete management targets are as follows.

**Capital efficiency  ROE: 15%**
We will work to secure an appropriate level of financial soundness and then target balanced improvements in profitability and business growth to consistently realize ROE around the level of 15% (ROE of 14% forecast for fiscal 2016).

**Profitability  Operating margin: 15%**
While boosting profitability in the mainstay Medical Business, we will endeavor to realize further profitability improvements by decreasing SG&A expenses through increased development efficiency and streamlined back-office work and processes (operating margin of 12% forecast for fiscal 2016).

**Business growth  EBITDA: Double-digit average annual growth rate during 16CSP period**
We will strive to achieve sales growth that exceeds market growth rates in the Medical Business while eliminating operational inefficiencies to realize high-quality (highly efficient) growth (EBITDA of ¥150 billion forecast for fiscal 2016 → EBITDA of ¥240 billion forecast for fiscal 2021).

**Financial soundness  Equity ratio: 50%**
Under the medium-term vision, we worked to achieve a sound financial position. Now, however, we believe it is crucial to secure extra leeway for responding to risks if we are to further develop our business. For this reason, we aim to raise the equity ratio to 50% by expanding income through improvements in profitability and business growth (equity ratio of 39% forecast for fiscal 2016).

By achieving the aforementioned management targets, we forecast that figures for various indicators will be as follows.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Forecast</th>
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<tbody>
<tr>
<td><strong>Consolidated net sales</strong></td>
<td>Compound annual growth rate of 6%</td>
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<tr>
<td></td>
<td>Fiscal 2016 forecast: ¥816 billion → Fiscal 2021 forecast: ¥1,100 billion (Medical: ¥900.0 billion; Scientific Solutions: ¥130 billion; Imaging: ¥55 billion)</td>
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<tr>
<td><strong>Consolidated operating income</strong></td>
<td>Compound annual growth rate of 10%</td>
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<tr>
<td></td>
<td>Fiscal 2016 forecast: ¥100 billion → Fiscal 2021 forecast: ¥170 billion (Medical: ¥225 billion; Scientific Solutions: ¥13 billion; Imaging: ¥2 billion)</td>
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<tr>
<td><strong>Free cash flow</strong></td>
<td>5-year aggregate of more than ¥250 billion</td>
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<td><strong>EPS</strong></td>
<td>¥320</td>
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<td></td>
<td>Fiscal 2016 forecast: ¥163 → Fiscal 2021 forecast: ¥320</td>
</tr>
</tbody>
</table>

After securing the internal reserves necessary to ensure a stable financial base, we will first prioritize the allocation of funds toward investments in growth fields, with the remainder of funds used to provide shareholders with an appropriate level of dividends that matches their expectations. (We intend to target a total return ratio of 30% in the future.)
3. Priority Strategies

We have defined the following six priority strategies to ensure that we can strengthen foundations and develop an aggressive business portfolio for sustainable growth while achieving our management targets.

- **Take action to grow businesses**
  - Expand lineups and promote sales of strategic products
  - Shift from installation based medical business model to procedure based medical business model
  - Pursue growth opportunities in peripheral businesses

- **Acquire necessary management resources in a timely manner and fully leverage these resources**
  - Manage portfolio of businesses in fields with low growth potential and shift management resources to growing business fields
  - Recruit and develop capable human resources in a timely manner
  - Optimize global R&D systems and production systems (production site planning)

- **Advance forward-looking preparations to realize continued growth**
  - Develop businesses and conduct upfront investments from a long-term perspective (technology research, exploration, and development)
  - Promote development of new businesses to advance *minimally invasive treatments*
  - Advance long-term measures for expanding businesses in emerging countries

- **Pursue further business efficiency improvements**
  - Reduce costs and improve efficiency by optimizing product lineups
  - Standardize processes and improve inventory management

- **Enhance management on a global and Groupwide basis**
  - Strengthen and improve the efficiency of Functions
  - Develop a mindset to realize One Olympus

- **Strengthen QA/RA and internal controls and promote strict compliance**
  - Enhance quality management systems and organizations to further business expansion in medical field
  - Further strengthen internal control functions
  - Construct and implement compliance systems suited to a truly global company

4. Positioning of Each Business within Portfolio

We will prioritize the allocation of management resources to the Medical Business.

The Medical Business will expand the scope of its operations centered on *early diagnosis* and *minimally invasive treatments* as it seeks to further improve its earnings capacity.

The Scientific Solutions Business will push forward with strategies tailored to specific customer segments and thereby establish and strengthen earnings foundations. Meanwhile, the Imaging Business will address the changing and contracting digital camera market while examining means of utilizing the technologies and resources of the business in other businesses.

In regard to new businesses for the future, we will explore businesses with the potential to become major pillars supporting Olympus and conduct related incubation activities. At the same time, we will seek to acquire new technologies while establishing business foundations in emerging countries.

Furthermore, we will aggressively conduct mergers, acquisitions, and other investments in strategically important fields.

END
2016 CORPORATE STRATEGIC PLAN (16CSP)

Strengthening foundations and developing an aggressive business portfolio for sustainable growth beyond the 100th anniversary (2019)

**Corporate Philosophy**

- "Social IN"
- Integrity
- Innovation
- Involvement

**Vision**

Olympus contributes to society by making people’s lives healthier, safer and more fulfilling around the world

**One Olympus**

- We will maximize performance of the entire Olympus Group by sharing values and strategies and making full use of the management resources on a global and Groupwide basis.

**Human Resources**

- We aim to develop a lively workplace environment in which a diverse range of human resources from various backgrounds always treat their colleagues with respect and understanding. In this environment, all employees will share one common vision and utilize their unique talents to contribute to the development of the Company.

**Shareholder Returns**

- After securing the internal reserves necessary to ensure a stable financial basis, we will first prioritize the allocation of funds toward investments in growth fields, with the remainder of funds used to provide shareholders with an appropriate level of shareholder returns that matches their expectations.

**Corporate Citizenship**

- We adhere to standards of good practice and make appropriate contributions to society. We do what we are expected to do as a good corporate citizen.

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**Organization Management**

- We will strive to strike a balance between establishing an appropriate level of headquarters control (centripetal force) and realizing highly empowered operating sites (centrifugal force). Business Strategies developed in accordance with the Management Strategy, and Functional Strategies designed to support the Business Strategies. Within this framework, we will practice a matrix style of business operation by merging the business and function sides of operations in a balanced manner to fully utilize the management resources of the entire Company.

**Corporate Governance**

- Acting in accordance with the Basic Policy for Corporate Governance, we will implement all principles of Japan’s Corporate Governance Code.

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**Management Goals**

- Working to secure an appropriate level of financial soundness, we will constantly achieve ROE of 15% through balanced improvements in profitability and business growth and double the bottom line (EPS) over the next five years.

**Positioning of Businesses within Portfolio**

- The Medical Business will be a major target of management resource allocation. Expand our business scope focused on early diagnosis and minimally invasive treatments in order to boost earnings capacity.

**Performance Indicators and Targets**

- Net sales: Average annual growth rate of 6%
- Operating income: Average annual growth rate of 10%
- Operating margin: FY2016 12% ➔ FY2021 15%
- EBITDA: Average annual growth rate of 10%
- Operating margin: FY2016 10% ➔ FY2021 15%
- ROE: FY2016 14% ➔ FY2021 15%

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**Strategic Business Focus**

- **Operating Environment**
  - Pressure to limit medical costs
  - Early diagnosis and minimally invasive treatments becoming increasingly effective
  - Structural market changes, including growing presence of group purchasing organizations (GPOs) and integrated delivery networks (IDNs) in North America
  - Economic slowdowns and latent potential of Chinese market
  - Rising presence of emerging countries and business growth potential for our Medical Business

**Priority Strategies**

- **Customer group oriented strategies will be advanced in the Scientific Solutions Business to establish and reinforce earnings foundations.**
  - Strengthen QA/RA and internal control and promote strict compliance
  - Enhance Quality Management Systems and organizations to further business expansion in Medical field

**Emphasized Corporate Culture**

- "Diversity and teamwork" "Willingness to take on challenges" "Sense of speed" "Broad perspective" "Adherence to high ethical standards"